

Preface

Dividends are back with a vengeance and with good reason. After being burned by the technology bubble of the late 1990s, when companies with no real profits saw their stock prices bid into the stratosphere only to crash into the bankruptcy bin, investors are hungry for sound corporations that generate verifiable cash that can be taken to the bank. Tired of false promises and the accounting tricks that implied profits but ultimately led to the downfall of companies like Enron, MCI, and others, today's investors want the security associated with businesses that have consistently increased their earnings over time—and have sent actual checks quarterly to shareholders as proof that the profits earned were legitimate and bona fide. Add to this a low interest rate environment in which investors are seeking the superior income potential that high-yielding dividend stocks offer over traditional income vehicles such as low-yielding bonds. Not only can investors earn more profits today with quarterly dividends, but these dividend checks might be much larger in the future—and the underlying stock could also provide capital gains. Simply put, a portfolio of high-quality dividend-paying companies is increasingly becoming a core component of prudent money management.

Add to this the explosion in the use of options to protect investors against—if not to help them profit from—volatile market moves. The number of investors opening accounts with options trading capabilities has grown exponentially throughout the last decade, and the number of option contracts traded has gone up more than tenfold as well. But often inexperienced investors, insufficiently informed about what they are investing in or how the powerful trading tools at their fingertips work most effectively, take on unexpected risks. They buy high-yielding stocks that they think are safe, only to discover that their expected source of income has disappeared with the announcement of a cut in, if not outright suspension of, the company's dividend. Worse yet, the stock price of the investor's new holding plummets as Wall Street punishes the company that can no longer fulfill its dividend obligations. Add to this the potential pain inflicted by newbie traders who open up new margin accounts to use the latest options trading techniques they learned through an online tutorial or weekend seminar only to see profits wiped out because they did not understand the inherent risks and potential rewards associated with potent options tools.

For the first time ever, in straightforward and accessible language, *The Power Curve* reveals the power behind dividend-paying companies and sophisticated options trading techniques in a way that can lead to immediate profits. While most investment books are either largely academic or entertainment oriented—technical analyses or biographies of the world's great investors—*The Power Curve* offers a practical, easy-to-understand, and immediately applicable guide to investing that was previously the purview of Wall Street hedge-fund hotshots. As with most things in life, success is driven by both science (technical proficiency) as well as art (the learned ability to do things well). The goal of *The Power Curve* is to provide you with both the art and the science necessary for you to achieve superior stock returns over time and to benefit directly from the magic of compounding.